

**PUBLIC DISCLOSURE**

June 3, 2004

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HOLYOKE POSTAL CREDIT UNION**

**650 DWIGHT STREET  
HOLYOKE, MASSACHUSETTS 01040**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MASSACHUSETTS 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **HOLYOKE POSTAL CREDIT UNION** (THE "Credit Union") prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

As a credit union whose membership is based upon affiliation rather than geography, the Credit Union's CRA performance was evaluated using the three following performance criteria: (1) Average net loan to deposit ratio; (2) Distribution of lending to borrowers of different income levels; and (3) Fair Lending policies and practices. These factors were considered within the Credit Union's performance context.

The Credit Union has achieved an adequate average loan to deposit (share) ratio of 35.7 percent. It has also demonstrated a reasonable distribution of loans among borrowers of all income levels. The Credit Union has demonstrated a satisfactory performance with regard to fair lending policies and practices. The distribution of lending to borrowers of all income levels was given the greatest consideration in the overall evaluation because it demonstrates the institution's record of helping to meet the credit needs of its entire membership.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Holyoke Postal Credit Union was incorporated in 1927, as a Massachusetts' chartered industrial credit union. Currently, membership includes all postal and federal workers and retirees and their families within Hampden and Hampshire counties. The Credit Union's sole office is located within the Holyoke Post Office in Downtown Holyoke.

As of December 31, 2003, the Credit Union's Statement of Condition indicated total assets of \$4.4 million, with total loans representing \$1.3 million, or 28.9 percent, of total assets. The following table details the composition of the Credit Union's loan portfolio:

<b>Loan Portfolio as of December 31, 2003</b>		
Type of Loans	\$'s	% of Total Loans
Residential Real Estate		
b. Home Improvement Loans	135,074	10.7%
Consumer Loans		
a. Personal/Unsecured	258,983	20.5%
b. New Auto Loans	376,941	29.8%
c. Used Auto Loans	464,472	36.7%
All Other Loans	29,610	2.3%
<b>Total</b>	<b>1,265,080</b>	<b>100.0%</b>

Source: NCUA Call Report of Condition.

New and used auto loans (combined) comprised the largest segment (66.5%) of the loan portfolio. Personal loans encompassed the second largest portion (20.5%) of loans. Lastly, home improvement loans and all other loans represented 10.7 percent and 2.3 percent, respectively, of total loans.

The Credit Union limits the maximum total indebtedness of any one member to \$40,000. New auto loans have a maximum term of up to 72 months, while a used auto loans have a maximum term of up to 60 months. The Credit Union grants personal/unsecured loans for a maximum amount of \$12,000, and a 48-month term. Home improvement loans are available with up to a 15-year repayment term. The Credit Union's capacity to meet its membership's credit needs remains adequate, given its asset size and credit product offerings.

The Division last conducted a CRA examination of the Credit Union on February 25, 1999. This examination resulted in the institution receiving a "Satisfactory" CRA rating.

## Description of Assessment Area

The CRA regulation requires that each financial institution delineate one or more assessment areas within which the institution's record of helping to meet community credit needs is evaluated. The CRA regulation further states that "a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area." The Credit Union's membership by-law provisions are based primarily on the employment affiliation and consequently, serve as its assessment area.

The Credit Union's by-law provisions state that membership is limited to "all Postal employees and Federal employees active and retired and their families within Hampden and Hampshire counties..." Current members number 360 individuals. The majority of members are employed as either letter-carriers or postal clerks, and are primarily assigned to the post offices in Holyoke, South Hadley, Easthampton and Amherst.

## PERFORMANCE CRITERIA

### 1. LOAN TO DEPOSIT ANALYSIS

This first criterion evaluates the level and trend of the Credit Union's net loan-to-deposit/share ratio. The average net loan-to-deposit/share ratio for the Credit Union was 35.7 percent for the four semi-annual periods from June 30, 2002 through December 31, 2003. The Statements of Financial Condition reported to the National Credit Union Association (NCUA) were utilized for this analysis.

Overall, the net loan to deposit (NLTD) ratio remained steady in 2002 and declined in 2003. NLTD ratios ranged from 37.9 percent in June 2002 to 33.2 percent in December 2003. The ratio's decline in 2003 is attributed to share/deposit growth of 12.7 percent, outpacing a slightly negative loan growth of 0.9 percent.

In addition, the Credit Union's NLTD ratio was compared to three other industrial credit unions' net loan to deposit ratio. All of these credit unions are situated within Hampden County, Massachusetts. The table below provides further details.

Institution	Net Loans to Deposits	Total Assets (000's)
Premier Source	41.7%	\$26,094
EMBECO	19.9%	\$6,799
<b>Holyoke Postal</b>	<b>33.2%</b>	<b>\$4,371</b>
Savage Arms Employees	82.3%	\$1,195

Source: NCUA Call Report data 12/31/03.

Although the above Credit Unions vary greatly in asset size, the comparison indicates that the Credit Union's net loan to deposit ratio continues at a reasonable level. In conclusion, the Credit Union's net loan to deposit ratio meets the standards for a "satisfactory" performance.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This criterion evaluates an institution's record of lending within a defined geographic assessment area. As stated above, the Credit Union has identified its membership as its assessment area. Therefore, no evaluation of geographic lending patterns was conducted.

## 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This criterion evaluates the extent to which the Credit Union lends to members of different income levels. The following borrower income analysis for all loans granted in 2002 and 2003 demonstrates that the Credit Union's lending meets the standards for satisfactory performance.

The borrowers' income levels are classified in relationship to the area median family household income. The Springfield, MA MSA's area median or family household income (FHI) was \$50,700 in 2002, and \$56,800 in 2003. The CRA regulation defines the borrower income levels as low-income (less than 50% of FHI); moderate-income (50 to 79% of median family income); middle-income (80 to 119% of area median income); and upper-income (120% or more of area median income).

A sample of consumer loans from 2002 and 2003 was randomly selected based on the total number of loans granted in order to evaluate the borrower income distribution. The Credit Union granted 104 loans, totaling \$789,000, in 2002; and 103 loans, totaling \$863,000, in 2003. Of these, 19 loans were reviewed from 2002, and 23 loans were reviewed from 2003. The following table provides detail on the borrowers' income distribution for the loans sampled. Both number and dollar amount of loans are included.

Loan Originations by Borrower Income Levels												
Income Levels	2002				2003				Totals			
	#	%	\$000	%	#	%	\$000	%	#	%	\$000	%
Low	2	10.5	29	16.1	3	13.0	11	4.7	5	11.9	40	9.4
Moderate	4	21.1	46	25.1	11	47.8	115	47.3	15	35.7	161	37.9
Middle	8	42.1	40	21.8	5	21.7	32	13.0	13	31.0	72	16.9
Upper	5	26.3	67	37.0	4	17.5	85	35.0	9	21.4	152	35.8
Totals	19	100	182	100	23	100	243	100	42	100	425	100

Based on the two-year total shown in the table, low-income borrowers received 11.9 percent (by number) and 9.4 percent (by dollar volume) of all loans sampled. Notably, moderate-income borrowers received the largest single portion at 35.7% by number and 37.9% by dollar volume of the loans analyzed. Middle-income borrowers received the second largest segment, at 31.0% by number of loans, yet received only 16.9 percent by dollar volume of loans granted. Loans to upper-income borrowers represented 21.4 percent by number, and 35.8 percent by dollar volume of the loans analyzed. The above borrower income distribution demonstrates a reasonable lending pattern of loans among all income levels of borrowers/members, particularly among the low- and moderate-income borrowers.

## **DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)**

It should be noted that the majority of the loans above are granted to individuals. However, the comparison is to median family income, which skews to some degree the distribution towards low- and moderate-income borrowers. Nevertheless, the above analysis demonstrates that the Credit Union's consumer loan products serve a reasonable cross-section of its membership.

Given the reasonable distribution of loans granted to low-, moderate-, and middle-income borrowers, the Credit Union is determined to have a satisfactory performance for this lending criterion.

### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

This criterion evaluates an institution's record of lending among the income levels of census tracts within a defined geographic assessment area. Since the Credit Union has identified its assessment area based on its members' employment affiliation, an analysis by census tract income level was not conducted.

### **5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES**

There were no CRA-related complaints received by the Credit Union during the period under review. The Credit Union's fair lending policies and practices are determined to be reasonable and to meet standards for a satisfactory performance.

The Credit Union's Board of Directors reviews and approves the Credit Union's loan policy on an annual basis. The Board's credit committee has the responsibility to ensure that all loans approved and denied are in conformance with the loan policy and procedures. The Credit Union has three part-time employees, one of which has been appointed as a loan officer.

The Credit Union's loan products include new and used car loans, unsecured personal loans, share secured loans and home improvement loans. Both new and used car loans allow for a 95 percent loan to value, based on NADA retail values. Loans on new and late model used cars have a maturity of up to 72 months, while terms for older used car loans can be either 60 or 48 months, depending on the model year of the vehicle. Home improvement loans are granted for up to 15-years and must be secured by a subordinate mortgage. Unsecured personal loans are granted for up to a 48-month repayment term. The maximum personal loan amount is \$12,000.

To promote loan volume, the Credit Union offers reduced rate personal loan specials twice each year. The Credit Union's marketing outlets are limited, but adequate to inform its membership of its credit product offerings. The Credit Union primarily relies on bulletin board notices and statement inserts to market both its savings and credit product offerings.

The credit committee reviews all loan applications and has the final approval or denial authority with regard to all loans. No loan denial can be given to an applicant without the credit committee's "second review" being undertaken.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**HOLYOKE POSTAL CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **June 3, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.